

STATE OF ALABAMA
DEPARTMENT OF INSURANCE
MONTGOMERY, ALABAMA

REPORT OF
ASSOCIATION EXAMINATION
OF
LIFE INSURANCE COMPANY OF ALABAMA
GADSDEN, ALABAMA

AS OF
DECEMBER 31, 2003

PARTICIPATION:
SOUTHEASTERN ZONE
ALABAMA

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STATE OF ALABAMA

COUNTY OF ETOWAH

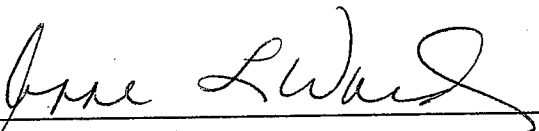
Anne L. Ward, being first duly sworn, upon her oath deposes and says:

THAT she is an examiner appointed by the Commissioner of Insurance for the State of Alabama;

THAT an examination was made of the affairs and financial condition of *LIFE INSURANCE COMPANY OF ALABAMA*, Gadsden, Alabama, for the period of January 1, 2000 through December 31, 2003;


THAT the following 45 pages constitute the report thereon to the Commissioner of Insurance of the State of Alabama;

AND THAT the statements, exhibits and data therein contained are true and correct to the best of her knowledge and belief.

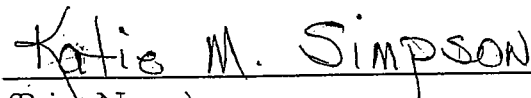


Anne L. Ward, AFE
(Examiner-in-Charge)

Subscribed and sworn to before the undersigned authority this 13th day of May, 2005.



(Signature of Notary Public)



(Print Name) Notary Public

in and for the State of Alabama

My Commission expires 9-30-07.



BOB RILEY
GOVERNOR

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DEPARTMENT OF INSURANCE
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COMMISSIONER
DEPUTY COMMISSIONER
D. DAVID PARSONS
JAMES R. (JOHNNY) JOHNSON
CHIEF EXAMINER
RICHARD L. FORD
ACTING STATE FIRE MARSHAL
RICHARD MONTGOMERY
GENERAL COUNSEL
REYN NORMAN
RECEIVER
DENISE B. AZAR
PRODUCER LICENSING MANAGER
JIMMY W. GUNN

May 13, 2005

Secretary, Midwestern Zone
Jorge Gomez, Commissioner
Office of the Commissioner of Insurance
State of Wisconsin
Post Office Box 7873
Madison, Wisconsin 53707-7873

Secretary, Southeastern Zone
Honorable Walter A. Bell
Commissioner of Insurance
State of Alabama Department of Insurance
201 Monroe Street, Suite 1700
Montgomery, AL 36104

Dear Commissioners:

Pursuant to your authorization and in compliance with the statutory requirements of the State of Alabama and the resolutions adopted by the National Association of Insurance Commissioners, a full scope financial and market conduct examination as of December 31, 2003, has been made of the affairs and financial condition of

LIFE INSURANCE COMPANY OF ALABAMA

at its home office located at 302 Broad Street, Gadsden, Alabama 35901. The report of examination is submitted herewith.

Where the description "Company" or "LICOA" appears herein, without qualification, it will be understood to indicate *Life Insurance Company of Alabama*.

SCOPE OF EXAMINATION

The Company was last examined for the four-year period ending December 31, 1999 by examiners from Alabama representing the Southeastern Zone, NAIC. The current examination covers the intervening period from the date of the last examination through December 31, 2003 and was conducted by examiners from Alabama representing the Southeastern Zone, NAIC.

The examination was made in accordance with the statutory requirements of the Alabama Insurance Code and the Alabama Insurance Department's regulations and bulletins; in accordance with the applicable guidelines and procedures promulgated by the NAIC; and in accordance with generally accepted examination standards and practices in connection with the verification of assets and determination of liabilities.

The examination included an inspection of corporate records, test checks of recorded income and disbursement items for selected periods, a general review of records and files pertaining to operations, administrative practices, and compliance with statutes and regulations. Assets were verified and valued and all known liabilities were established or estimated as of December 31, 2003 as shown in the financial statements contained herein. However, the discussion of specific assets or liabilities contained in this report is confined to those items where a change was made by the examiners, or which indicated violation of the Alabama Insurance Code and the Insurance Department's rules and regulations or other insurance laws or rules, or which were deemed by the examiners to require comments or recommendations.

A Company office copy of the filed Annual Statement for the year 2003 was compared with or reconciled to account balances with respect to ledger items.

The market conduct review consisted of a review of the Company's territory; plan of operation; complaint handling; marketing and sales; compliance to agents' licensing requirements; policyholder services; underwriting and rating practices; claims payment practices; and privacy policies and practices.

The Company's accounts were audited by Barfield, Murphy, Shank & Smith, P.C., Certified Public Accountants (CPAs), for each of the four years under examination. Audit reports and workpapers were made available to the examiners and were used where deemed appropriate in the completion of this examination.

A signed certificate of representation was obtained during the course of the examination. In this certificate, management attested to having valid title to all assets and to the non-existence of unrecorded liabilities as of December 31, 2003.

ORGANIZATION AND HISTORY

The Company was incorporated in Etowah County on July 28, 1952 under the laws of the State of Alabama and commenced business on August 13, 1952.

The charter empowered the Company to engage in the life insurance business and the writing and making of life insurance contracts and issuing of life insurance policies of every lawful kind on the lives of human beings; and also the writing and making of insurance contracts and issuing of insurance policies of every lawful kind for health and accident insurance, insuring against injury or disability to the person by reason of accidents, illness and disease; and insuring against loss of earnings and medical and hospital expenses caused by bodily injury, illness and disease, and insuring against other causes or contingencies such as may impair or affect the life and health of a person; and generally to engage in the writing, making and issuing of contracts of life, health and accident insurance, to individuals or groups, upon such terms, conditions and provisions as may be permitted by law.

The original charter provided for authorized capital of \$500,000 comprised of 100,000 shares of \$5 par value per share common stock. The Company commenced business with 26,000 shares issued and outstanding which provided paid-up capital of \$130,000 and surplus of \$65,000.

In 1956, the Company's charter was amended to increase the total authorized capital to \$1,000,000, with an additional 500,000 shares of common stock being authorized at a par value of \$1 per share. The \$1 par value stock was designated as Class "A" common.

The Life and Accident Insurance Company of Alabama, Gadsden, Alabama, was merged into the Company in 1958. This merger was effected through an exchange of stock and resulted in an increase to the Company's assets of \$572,605 and an increase to insurance in force of \$4,671,981.

The charter was again amended in 1966 to increase the total authorized capital to \$2,000,000, comprised of 100,000 shares of \$5 par value per share common stock and 1,500,000 shares of \$1 par value per share common stock.

An amendment to the charter in 1968 defined the preemptive rights of stockholders as follows:

- “(a) The holders of “CLASS “A” COMMON STOCK” of the corporation shall have no pre-emptive rights to purchase any portion or part of any class of stock of the corporation, including “COMMON STOCK”, and “CLASS

"A" COMMON STOCK", and also including Treasury Shares of both of said Classes of Stock, that may be issued or offered for sale by the corporation:

- (b) The holders of "COMMON STOCK" of the corporation shall have no pre-emptive rights to purchase any portion or part of any "CLASS "A" COMMON STOCK", including Treasury Shares of "CLASS "A" COMMON STOCK", that may be offered or issued for sale by the corporation:
- (c) Every holder of "COMMON STOCK" of the corporation share have the pre-emptive right to purchase his portion of any "COMMON STOCK", including Treasury Shares of "COMMON STOCK", that may be issued or offered for sale by the corporation, according to the proportion of his holdings of such "COMMON STOCK", at such price, which may be in excess of par value, within such time and on such terms as shall be fixed and determined by the Board of Directors of the corporation."

Effective May 30, 1977, the Company acquired all of the policies in force of Vanguard Security Life Insurance Company, Montgomery, Alabama pursuant to an agreement executed with the court appointed receiver of said company.

In 1978, the Company acquired College Investment Company of Gadsden, Alabama as a wholly-owned subsidiary of the Company and liquidated that Company during 1978.

Effective September 26, 1979, the Company acquired certain policies of the Life Insurance Company of America, Birmingham, Alabama pursuant to an agreement executed with the court appointed receiver of said company.

In 1987, the capital stock of the Company was increased by \$75,364 as a result of the increase in par value of the Class "A" common stock from \$1 per share to \$1.12 per share. This change in the par value of the Class "A" common stock increased the total authorized under this class of stock to \$1,680,000, which exceeded the \$1,500,000 authorized by the Company's Charter. On February 8, 1993, the Company decreased the par value of the Class "A" common stock from \$1.12 to \$1. Also, on February 8, 1993, the Company issued 371,963 shares of authorized but unissued Class "A" common stock as treasury stock to meet the requirements of the state of Georgia.

These changes resulted in an issued and authorized capitalization of \$500,000 (common stock) and \$1,000,000 (Class "A" common stock) for an aggregate of \$1,500,000. 12,452 shares of common stock (\$5 par) and 412,496 shares of Class "A" common

stock (\$1 par) were held by the Company as treasury stock at a net repurchase cost of \$727,342.

The authorized capital of the Company has not changed during the four-year period covered by this examination. The authorized capital of the Company at December 31, 2003 was \$2,000,000 consisting of 100,000 shares of \$5 par value per share common stock, and 1,500,000 shares of \$1 par value Class "A" common stock. The issued capital stock was \$1,500,000, comprised of 100,000 shares of \$5 par value per share common stock and 1,000,000 shares of \$1 par value per share Class "A" common stock. Treasury stock held at December 31, 2003 consisted of 12,452 shares of \$5 par value common stock and 412,496 shares of \$1 Class "A" common stock with an aggregate repurchase cost of \$727,342.

MANAGEMENT AND CONTROL

Stockholders

The Company is a stock corporation with ultimate control vested in its stockholders. The Class "A" common stock has voting power limited to one-fifth vote per share, and may only vote on matters pertaining to the creation of bond indebtedness, increases in capital stock, issuance of preferred stock, and dissolution or liquidation of the assets of the Company. The \$5 par value common shareholders have full voting rights.

Board of Directors

Members elected to the Board of Directors by the stockholders on May 5, 2003 and serving at December 31, 2003 were as follows:

James Wesley Cameron Montgomery, Alabama	Attorney Cameron & Cameron
Herman Warren Cobb Dothan, Alabama	Attorney Buntin, Cobb & Shealy
Florence Throckmorton Daugette Gadsden, Alabama	Chairman, Board of Directors Life Insurance Company of Alabama
Clarence William Daugette, III Gadsden, Alabama	President Life Insurance Company of Alabama
Robert Wootten Echols, Jr. Gadsden, Alabama	Retired Vice-President Life Insurance Company of Alabama

Mark Carroll Espy
Gadsden, Alabama

President
The Headland National Bank

James Clarence Inzer
Gadsden, Alabama

Attorney
Inzer, Suttle, Swann & Stivender

William Owen Leach
Gadsden, Alabama

President
Leach & Company

Alburta Daugette Lowe
Gadsden, Alabama

Homemaker

Marvin Lynn Lowe
Gadsden, Alabama

Executive Vice President
Life Insurance Company of Alabama

Anne Daugette Renfrow
Gadsden, Alabama

Homemaker

Raymond Rudolph Renfrow, Jr.
Gadsden, Alabama

Executive Vice President
Life Insurance Company of Alabama

Stephen William Rowe, M.D.
Gadsden, Alabama

Medical Director
Life Insurance Company of Alabama

Roger Carlisle Suttle, Jr., M.D.
Birmingham, Alabama

Retired Physician

Officers

The following officers were elected by the Board of Directors on May 5, 2003 and were serving at December 31, 2003:

Officer

Florence Throckmorton Daugette
Clarence William Daugette, III
Marvin Lynn Lowe
Raymond Rudolph Renfrow, Jr.

Robert Larry Crowe
David Augustus Behrens
Stephen William Rowe, M.D.

Title

Chairman of the Board
President
Executive Vice President and Treasurer
Executive Vice President and
Agency Director
Senior Vice President and Secretary
Senior Vice President and Assistant Treasurer
Medical Director

Mary Rebecca Gray

Assistant Vice President and

Assistant Secretary

Hoyt Russel Casey

Assistant Vice President

Committees

The following committees had been appointed by the Board of Directors and were still serving at December 31, 2003.

Executive Committee

Florence Throckmorton Daugette

Clarence William Daugette III

James Clarence Inzer, Jr.

Audit Committee

James Clarence Inzer, Jr.

Alburta Daugette Lowe

Stephen William Rowe

Compensation Committee

Clarence William Daugette, III

Florence Throckmorton Daugette

Marvin Lynn Lowe

Loan and Investment Committee

Clarence William Daugette, III

Marvin Lynn Lowe

Raymond Rudolph Renfrow, Jr.

Management Committee

Clarence William Daugette, III

Marvin Lynn Lowe

Raymond Rudolph Renfrow, Jr.

Marketing Committee

Clarence William Daugette III

Marvin Lynn Lowe

Anne Daugette Renfrow

Raymond Rudolph Renfrow, Jr.

Conflict of Interest

The Company had an established procedure for annual disclosure, in writing to the board of directors, of any possible conflicts of interest among any of its officers and directors. However, the Company did not have all officers and directors sign conflict of interest statements, which is not in compliance with ALA. CODE § 10-2B-8.62 (1975) and NAIC Annual Statement Instructions.

The Company was unable to provide a conflict of interest statement for the following officers:

2001

Robert Larry Crowe
Clarence William Daugette, III

2002

James Clarence Inzer, Jr.

2003

Roger Carlisle Suttle, Jr., M.D.

ALA. CODE § 10-2B-8.62 (1975) *Disclosure of conflicting interests*, provides specific guidelines for the disclosure of conflicts of interest by directors. During the examination, the above stated directors signed a conflict of interest statement for the years that the statements were missing.

In addition, the Company does not require its key employees to sign a conflict of interest statement each year. It was noted that the Company responded "yes" to Annual Statement *General Interrogatories* #14, which asks if the Company "has an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person."

CORPORATE RECORDS

The Articles of Incorporation and Bylaws, as amended, were inspected during the course of the examination and appeared to provide for the operation of the Company in accordance with the usual corporate practice and applicable statutes and regulations.

Minutes of meetings of the Stockholders and Board of Directors were reviewed for the period under examination. The minutes appeared to be complete with regard to

recording actions taken on matters before the respective bodies for deliberation and action.

HOLDING COMPANY AND AFFILIATE MATTERS

Holding Company Registration

The Company is subject to the Alabama Insurance Holding Company Regulatory Act as defined in ALA. CODE § 27-29-1 (1975). In connection therewith, the Company is registered with the Alabama Department of Insurance as registrant of an Insurance Holding Company System.

Appropriate filings required under the Holding Company Act are made from time to time by the Company as registrant of an Insurance Holding Company System. A review of the Company's filings during the period under review indicated that all required disclosures were included in the Company's filings.

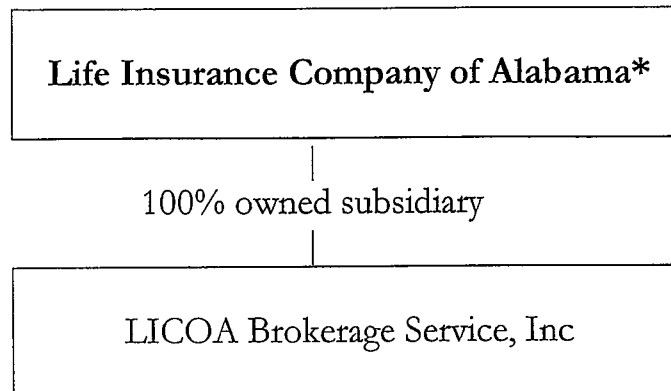
Dividends to Stockholders

The following dividends to stockholders were paid during the current examination period:

<u>Year</u>	<u>Dividends Paid</u>
2000	\$92,274
2001	\$51,263
2002	\$61,516
2003	\$71,769

These dividends were reported to the Alabama Department of Insurance in accordance with ALA. CODE § 27-29-4(d) (1975), which states, in part, "each registered insurer shall so report all dividends and other distributions to shareholders within five business days following the declaration thereof."

Organizational Chart



* Florence T. Daugette owned 29.97% of the outstanding Common Stock, and 4.82% of the outstanding Class A Common Stock of Life Insurance Company of Alabama, as of December 31, 2003.

* Clarence W. Daugette owned 14.32% of the outstanding Common Stock, and 0.84% of the outstanding Class A Common Stock of Life Insurance Company of Alabama, as of December 31, 2003.

Transactions and Agreements with Affiliates

The Company has one wholly owned subsidiary, LICOA Brokerage Service, Inc. Copies of the minutes of the Stockholders, Board of Directors and Committee meetings for LICOA Brokerage were provided for 1989. There have been no such meetings since that time. This is a violation of ALA. CODE § 10-2B-7.01(a) (1975), which states, "A corporation shall hold a meeting of shareholders annually at a time stated or fixed in accordance with the bylaws." This is also a violation of the Company's bylaws which state that an annual meeting of the Shareholders shall be held at 10:00 a.m. on the first day of May each year beginning in 1990. The bylaws also state that a Board of Directors' meeting will be held immediately following the annual meeting of the Shareholders.

It was also noted that the Company has no controls or separation of duties. The Company's Executive Vice President/Marketing Director, who is also President of LICOA Brokerage Services, Inc., currently authorizes and signs all checks for LICOA Brokerage. He is also responsible for all bookkeeping for the brokerage service. In addition, he authorizes payments of bonuses to himself, with no supporting documentation.

It was noted that there were transactions occurring between the Company's agents and LICOA Brokerage. The examiner requested a copy of the agreement between the two companies regarding the "sharing" of agents. The Company's President/CEO stated that there is no written agreement between the Company and LICOA Brokerage. This is a violation of ALA. CODE § 27-29-5 (a) (4) which states, "The books, accounts, and

records of each party will be so maintained as to clearly and accurately disclose the precise nature and details of the transactions.”

The examiner reviewed the check registers for LICOA Brokerage for all years under examination. It was noted that bonus payments made to Mr. Renfrow during the examination period were without a supporting agreement. These bonuses totaled \$4,100 in 2000; \$6,385 in 2001; \$7,500 in 2002 and \$9,950 in 2003. All bonuses are at the discretion of Ray Renfrow, President of LICOA Brokerage Services, Inc. These bonuses are reported to the Internal Revenue Service as income on Form 1099.

FIDELITY BONDS AND OTHER INSURANCE

The Company was insured by a Financial Institution bond issued by Philadelphia Insurance Company at December 31, 2003 in an amount which met the suggested minimum requirements of the NAIC Financial Condition Examiners' Handbook. The bond provided dishonesty and fraud coverage for all employees of the Company.

In addition to the above coverage, the Company was insured under the following policies at December 31, 2003:

Commercial Package Policy including Property and Contents
Commercial Umbrella Policy including Bodily Injury and Property Damage
Executive Safeguard Policy
Workers' Compensation Policy

The coverage and limits carried by the Company were reviewed during the course of the examination and appeared to adequately protect the Company's interests at the examination date.

EMPLOYEE AND AGENTS' WELFARE

The Company's agents were not employees of the Company and were not provided with any benefit plans. The Company provided its regular employees with the following benefits at December 31, 2003:

- Group Life Insurance
- Group Hospital and Major Medical Insurance
- Vacation Leave
- Sick Leave
- Short-term Disability
- Paid Holidays

- Personal Leave
- Routine Health Care Leave
- 401(k) Deferred Compensation Plan
- Long-term Disability
- Bereavement Leave
- Jury Duty Leave
- Military Leave
- On-the-Job Injury Leave
- Section 125 Cafeteria Plan

Compliance with ALA. ADMIN. CODE 482-1-121 (2003)

The Company is required to comply with the Violent Crime Control and Law Enforcement Act of 1994, US Code, Title 18, Section 1033 (e)(1)(A), which, in part, prohibits individuals who have been convicted of specified criminal activity from engaging in the business of insurance without written consent from the Commissioner of Insurance. The Company requires all applicants for employment to sign forms concerning the Violent Crime and Law Enforcement Act of 1994 stating that they have or have not been convicted of a felony. However, the Company does not monitor current employees on an on-going basis. ALA. ADMIN. CODE 482-1-121 (2003), Guideline 1, states that: "Failure to initiate a screening process in an attempt to identify prohibited persons in current or prospective employment relationships may be a factor in determining if a violation of this statute has occurred."

Other Compensation Issues

It was noted that Rosalie F. Renfrow was hired as a management trainee in September 2002. Ms. Renfrow is the daughter of Raymond Rudolph Renfrow, Jr., a director, officer and stockholder of the Company and Anne Daugeette Renfrow, a director of the Company. Ms. Renfrow's monthly salary for 2002, 2003 and 2004 was \$1,900, \$2,000 and \$2,300, respectively, with her salary being increased in September of each year. Ms. Renfrow is also receiving a monthly automobile allowance. This allowance was \$300 per month in January and February 2003 and increased to \$550 per month for the remainder of the examination period. Ms. Renfrow did not keep regular business hours at the Company - it was noted by examiners that she was routinely not in the office.

The Company's President/CEO stated that Ms. Renfrow is a full-time salaried employee in training for upper management. Her hours vary and are not tracked on a time sheet. Ms. Renfrow has her insurance license and is currently selling out of the Company. Her position was created along with three other new positions in the Agency department as a natural part of the company evolution and growth. Ms.

Renfrow also assists with the production of the Company's Monthly Sales Bulletin and other promotional materials and programs. She is currently taking LUTC and CLU courses to further her knowledge of the insurance industry. The President/CEO also stated that no other employee can give a complete account of Ms. Renfrow's daily activity. Ms. Renfrow reports only to her father.

The Company feels that Ms. Renfrow's presence insures continuity in future company management by the Daugette family. The President/CEO stated that if Ms. Renfrow quit, the Company would have to hire someone in the future to insure continuity in home office management. This employee would be compensated according to their experience and training level. Their salary, benefits, etc., may or may not be comparable to Ms. Renfrow's. The Company also feels that Ms. Renfrow needs flexibility in her schedule since she is actively working as an agent. It was noted that the total of premiums from policies written by Ms. Renfrow since her 2002 employment date amount to \$10,054.

Company management is not avoiding the appearance of impropriety. If Ms. Renfrow is being developed for a managerial position, she needs a defined job and training program. Due to nepotism within the Company, the Company's President should either actively supervise the training (before it happens, while it is happening, and after the fact) or delegate it where possible. Ms. Renfrow should report to the manager of each department in which she is training. The examiners find it highly unusual that a recent college graduate would be allowed to set their own schedule while receiving a full-time management salary.

The preceding report of examination noted an issue with nepotism and this issue stands to harm the Company due to potential shareholder and/or policyholder lawsuits. It is imperative that the Company avoid the appearance of impropriety with the payment of salaries to family members. Ms. Renfrow should maintain working hours comparable to other employees of the Company and report to someone other than her father, Mr. Raymond Renfrow, in order to avoid internal control weaknesses and the appearance of improprieties.

Automobile Expenses

The examiner reviewed all 2003 receipts supporting automobile expenses. There were three employees receiving an automobile allowance who were also charging automobile expenses to the Company. The automobile expenses for these three employees totaled \$3,894. The examiner requested copies of the 1099 Forms where these amounts were reported to the Internal Revenue Service. The Company's Executive Vice President/Treasurer stated that 1099 Forms are provided for the car allowance only and related automobile expenses such as gas, maintenance and repairs are categorized as

travel expenses, and there is no 1099 issued. The Company did not provide clear evidence for the business purpose for all of these travel expenses. ALA. CODE § 27-27-29(a) (1975) states:

“Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep therein complete records of its assets, transactions and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds of insurance transacted.”

The Company should maintain documentation indicating the business purpose of reimbursed travel expenses.

Cell Phone Expenses

A review of the monthly cellular telephone billings determined that the Company pays for two cell phones that are used by family members of an Officer/Director of the Company.

Directors' Fees

It was noted that employees of the Company, who are also Directors, are receiving Directors' fees in addition to their compensation as employees of the Company. This is a highly unusual practice, and it gives the appearance of impropriety since only family members are receiving these fees in addition to their salaries.

Travel Expenses

It was noted that the Company invites guests, including key employees, officers, directors, consultants, their spouses and children, to its Company conventions. Officers, employees and directors do not receive a 1099 Form, as they have responsibilities and work at the conventions. For spouses, children and consultants, the Company is either reimbursed or these amounts are reported as income on a 1099 Form. It was also noted that on some occasions, the Company has absorbed some of the costs for non-employees attending Company functions, conferences and business trips, as guests of the Company. In most cases, the guests have furnished their own transportation and shared a room with a Company employee; however, the Company paid some meals and miscellaneous expenses.

SPECIAL DEPOSITS

In order to comply with the statutory requirements for doing business in the various jurisdictions in which it was licensed, the Company had the following securities on deposit with state authorities at the December 31, 2003 examination date:

<u>State</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Fair Value</u>
Alabama	\$1,200,000	\$1,200,169	\$1,231,906
Arkansas	200,000	199,901	234,550
Florida	400,000	399,684	427,373
Georgia	110,000	109,942	110,653
Louisiana	25,000	25,000	25,000
North Carolina	500,000	500,000	500,000
Oklahoma	300,000	304,417	302,157
South Carolina	<u>500,000</u>	<u>516,371</u>	<u>516,371</u>
TOTALS	<u>\$3,235,000</u>	<u>\$3,255,484</u>	<u>\$3,348,010</u>

Confirmation of these deposits was obtained directly from the respective custodians.

FINANCIAL CONDITION/GROWTH OF THE COMPANY

	<u>Admitted</u>		<u>Capital and</u>	<u>Premiums</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Surplus</u>	<u>Earned</u>
2003* \$	60,830,079	\$ 52,182,202	\$ 8,647,877	\$ 31,294,522
2002	56,099,005	48,495,438	7,603,567	29,492,472
2001	54,107,234	47,520,026	6,587,208	28,056,317
2000	66,357,644	59,960,076	6,397,568	27,225,543
1999*	66,552,580	58,413,668	8,138,912	26,224,731

* Per Examination

MARKET CONDUCT ACTIVITIES

Territory

As of December 31, 2003, the Company was licensed to transact business in the following states:

Alabama	Kentucky	Oklahoma
Arkansas	Louisiana	South Carolina
Florida	Mississippi	Tennessee
Georgia	North Carolina	

Current or continuous certificates of authority issued by the respective states were inspected for the four-year period under review, and no exceptions were noted.

There were no pending applications at December 31, 2003, and Company management indicated that there were no plans at this time for entry into other states.

Plan of Operation

The Company specialized in selling Supplemental Health, Accident, and Disability Insurance and small individual life policies, which are paid through voluntary payroll deduction. The Company's target groups vary from "Mom and Pop" businesses to state universities, small manufacturing concerns, small town school systems, and city employees.

The Company's active agents specialize in the payroll market, but only about ten percent of them sell only for LICOA. However, the Company's field force consists of personal producing general agents who sell only for LICOA and/or specialize in recruiting and agency building. The Company intends to continue its regional director/general agent contractual pattern placing more emphasis on recruiting agency building general agents. Furthermore, the Company has redesigned recruiting material and pays recruiting bonuses to emphasize the importance of recruiting in its efforts to grow.

Complaint Handling

The Company recorded complaints that were reported to various departments of insurance and that were reported directly to the Company. A total of 61 complaints were received during the period between December 31, 1999, and December 2, 2004: all were reviewed by the examiners. Ten of the 61 complaints were reported to the Alabama Department of Insurance.

The time frame within which the Company responded to complaints was ten days in accordance with Section 6, of ALDOI *Regulation No. 118*, which requires an insurer to respond in writing within ten working days.

Marketing and Sales

For more than thirty years, Life Insurance Company of Alabama's niche has been the workplace market. LICOA is currently billing over 3,000 payroll groups. Most of the groups are in rural areas and in towns of less than 75,000 in population. Many of the employees of these groups have very little insurance other than that obtained through their place of employment.

Advertising

The Company's advertising consisted primarily of brochures, which were used and distributed by the Company's agents. All advertising was planned and coordinated by the home office personnel.

It was noted during the review of the advertising materials that certain brochures were misleading and/or inaccurate. The brochures for the cancer economizer III stated that the Company was a "billion dollar financial institution." The Company's financial position did not support this statement. Alabama Department of Insurance *Regulation No. 69*, Section V (1) (a) states: "Advertising shall be truthful and not misleading in fact or by implication. The form and the content of an advertisement of a policy shall be sufficiently accurate, complete, and clear so as to avoid deception or the capacity or tendency to mislead or deceive."

Alabama Department of Insurance *Regulation No. 69*, Section V(6)(1) states: "No advertisement shall contain statements, pictures, comparative financial ratios, or illustration which are false, misleading, or irrelevant in fact or by implication, with respect to the assets, liabilities, insurance in force, corporate structure, financial condition, age or relative position of the insurer in the business."

Compliance to Agents' Licensing Requirements

At December 31, 2003, the Company used various agents and agencies to sell its products. Only appointed and licensed agents were used to sell its policies in the Southeastern United States. The total number of agents the Company had appointed at December 31, 2003 was 283.

A review of Company records was conducted by the examiners to determine that agents representing the Company in Alabama were appropriately appointed. A sample of commission payments was reviewed. No exceptions were noted with agents' appointments requirements of the State of Alabama.

A review of the individual terminated producer files was conducted by the examiners to determine if the Company maintains the reason for termination. The Company was unable to locate two of the 50 files sampled. ALA. CODE § 27-27-29(a) (1975) states:

"Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep therein complete records of its assets, transactions and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds of insurance transacted."

Policyholder Service

In order to review the Company's policy issuance and restatement practice, a sample of 50 policies was selected from the "Insured Reinstatement" file. The sample was used to determine if reinstatement notices were sent out on a timely basis.

The examiners determined that insured billing notices and restatements were sent out in a timely manner without excessive paperwork and in accordance with policy provisions. It was also noted that unearned premiums were correctly calculated and returned to the appropriate party in a timely manner.

Dividends to Policyholders

The Company paid policyholder dividends during the four-year period covered by this examination. The following exhibit reflects these payments:

<u>Year</u>	<u>Dividends to Policyholders</u>
2000	\$20,600
2001	\$29,255
2002	\$25,324
2003	\$27,517

Underwriting and Rating Practices

The Company uses the *Reinsurance Life Underwriting Manual*, a published guide which provided ratings based upon a numerical method of risk classifications.

Life

The Company wrote life coverage in a variety of forms within the basic classifications of Whole Life (smoker, non-smoker, and unisex), Universal Life, Term and Convertible Term, with or without disability waiver of premium.

Policies were written on a non-medical basis for standard risk of ages zero through 60, with the amount accepted based upon age and plan to a maximum of \$250,000.

Policies were offered to members of the armed forces, without war restrictions, on the same basis as non-military.

The Company had no published limitation for the maximum amount of insurance that would be issued on any one life. The Company wrote up to four times retention under

automatic reinsurance treaties. Any amount could be written for which excess facultative reinsurance coverages were obtained.

The Company's current established retention limits are as follows:

Ages	Standard through Table 2	Table 3 through Table 6	Table 8 and up
0 - 60	\$50,000	\$25,000	\$10,000
61 - over	\$25,000	\$10,000	\$ 5,000

A \$10,000 corridor was used for all ages and rating categories to avoid small cessions.

Accident and Health

The Company wrote Cancer, Accident and Health, Intensive Care and Disability Income coverages on an individual basis collected by direct billing or through payroll deduction. Each type of policy provided benefit schedules for specific treatment, care or hospital charges due to specific losses or cancer.

Claims Payment Practices

Samples of paid, open, closed, and closed-without-payment claims files were reviewed in order to evaluate the Company's compliance with policy provisions, timeliness of payment, adequacy of documentation, and reserving. No problems were noted concerning the sampled items. Initial contact procedures, handling and settlement of claims, and reserving methodologies appear to be in accordance with NAIC Claims Standards, as defined by the Market Conduct Examiners Handbook, policy provisions, and statutory requirements.

Cancer Policies

The examiners noted that beginning February 2001; the Company changed its claims payment practices on its cancer policies. The Alabama Department of Insurance wrote a letter, dated September 26, 2003, concerning information that was provided by the Company's attorneys regarding the Company's claim payments on these cancer policies. The letter, in part, stated that:

"Based on this information, and the fact "actual charges" is not defined in the insurance code or regulations, the Insurance Department feels strongly it cannot require, without statutory or regulatory authority, companies to use a particular definition of "actual charges." The Department continues to insist companies pay their claims in accordance with the terms of their policies..."

The following information was provided by the Company's claims manager:

The Company maintains that it pays its cancer claims in accordance with the policy provisions based on actual charges. The Company maintains that "Actual Charges" are generally defined in LICOA's cancer policies as those charges made by a person or entity furnishing the services, treatment or material. They go on to say that the word "charge" is commonly defined as an expense, cost, price demanded for something or a debit to an account.

Prior to February 2001, the Company maintained that they did not require sufficient documentation to determine accurate proof of loss. The Company paid cancer benefits on amounts billed. In February of 2001, the Company determined that the amounts providers billed for their services may or may not be equal to the amount that they actually charge their patients. The Company then began requiring additional documentation from its claimants as proof of loss for amounts that were actually charged by the person or entity furnishing the services, treatment or material.

On some of the Company's cancer policies, the outline of coverage states that the policy is designed to help pay both the medical and non-medical expenses related to the treatment of cancer. It also lists such items as lost wages, travel, food, lodging, deductibles, etc., and asks the question, "Who will pay these non-medical expenses?" The Company's response was:

"LICOA's cancer policies generally provide medical and non-medical benefits directly to the policyholder. The policyholder can use the money for whatever they wish, regardless of whether or not they have health insurance. LICOA's outline of coverage is not misleading. LICOA's cancer policies generally provide benefits for medical expenses (such as Hospitalization benefits, surgery benefits, etc.) and non-medical expenses (such as transportation benefits, lodging benefits, disability benefits, etc.)."

Privacy Policies and Practices

The Company's Notice of Privacy Practices, which was first sent as a mass mailing to all Company policyholders in June 2001, was reviewed for compliance with ALA. ADMIN. CODE 482-1-122 (2002), formerly known as ALDOI *Regulation No.122*. The Company sends the notice to new business policyholders, when a policy is rewritten or renewed, and annually thereafter. The Company provided notices to its customers that indicated the types of information collected, the way it is used and the manner of collection. The notice also informed the customer that the Company did not disclose any information to any nonaffiliated third parties.

The privacy form contained a *Privacy Notice*, which emphasized and explained the Company's policies. These principles appeared to follow the guidelines established in ALA. ADMIN. CODE 482-1-122-.07 (2002).

The Company does not share customer and/or consumer personal information with any nonaffiliated third parties except those permitted under Sections 14, 15 and 16 of the ALA. ADMIN. CODE 482-1-122 (2002). The Company has controls in place for employees and producers for the disclosure of nonpublic personal financial, health or medical information.

REINSURANCE

Reinsurance Assumed

The Company assumed reinsurance from two companies under reinsurance pooling arrangements.

Business was assumed from The Prudential Life Insurance Company under the Servicemen's Group Life Insurance (SEGLI) program and from Metropolitan Life Insurance Company under the Federal Employees Group Life Insurance (FEGLI) program at December 31, 2003. These arrangements contributed \$752,534,718 to the Company's December 31, 2003 inforce. Participating in these government insurance pools provides little or no financial rewards. However, it allows the Company to participate in the conversion program, converting group term to whole life for government employees.

The Company does not maintain a signed copy of its reinsurance agreement with Metropolitan Life Insurance Company. This is a violation of ALA. CODE § 27-27-29(a) (1975) which requires every domestic insurer to have and maintain complete records in its principal place of business in the state of Alabama.

Reinsurance Ceded

The Company ceded reinsurance under life and A & H reinsurance agreements, taking life reserve credits of \$1,108,996 and A & H reserve credits of \$713,265. All contracts involving material reserve credits at December 31, 2003 were reviewed.

The Company's coinsurance agreement with Employers Reinsurance Corporation contains a provision that states, "Whenever the Corporation's inception to date loss ratio under this agreement exceeds 70%, if the Reinsured is unable to obtain appropriate rate action with respect to the premiums charged for the policies, the

Corporation shall have the right to decrease the renewal ceding commission to a percentage not less than the Reinsured's expenses applicable to the policies by giving to the Reinsured at least 120 days advance notice stating the new commission and the commission decrease date. The new ceding commission will apply with respect to policy premium due dates occurring on and after the commission decrease date." The Agreement defines the Reinsured's expenses applicable to policies as "23% of the policies' insurance premium, plus 2% of paid claims under the policies, plus \$2 per year each policy in force, with the \$2 increasing annually for inflation at an assumed rate of 3% per year." The agreement further states that if the Reinsured disagrees with any commission decrease, the Reinsured shall terminate or recapture the agreement. Thus, the Company may be forced to recapture a block of business where the losses are greater than anticipated, and the Company is unable to obtain appropriate rate increases from regulatory officials to maintain the loss ratio at 70%, or less. This requirement could be interpreted as the reinsurance company not being on the risk in all instances and termination or recapture being forced under certain defined circumstances.

ACCOUNTS AND RECORDS

The Company's principal accounting records were maintained on electronic data processing equipment.

Audit reports and certain audit workpapers of the opining CPA firm, Barfield, Murphy, Shank & Smith PC, were made available to the examiners and were used where deemed appropriate.

The Company's records are kept on an AS400 mainframe, which includes insurance administration, claims and general ledger software. In addition, all of the Company's policy folders and policyholder information was imaged and available for inquiry on the Company's system.

Allen Lambert, CPA and Katrina Davis, General Accounting Manager, prepare the quarterly and annual financial statements.

Logical and Physical Security

A review of the Company's logical and physical security indicated the following:

- The Company provided to the examiners a listing of Company users on the network, along with the users' passwords to the network, thereby compromising the integrity of its computer information.
- The Company had no written statement that defines the restrictions on access to the Computer facility.

- The Company does not validate the access capabilities provided to individuals in their department.
- The Company does not have a control that ensures effectiveness of financial significant application passwords.
- The Company's Information System Manager generates all users' passwords.

COMPANY OPERATIONS/MANAGEMENT Standard 2, of the NAIC's Market Conduct Examiners Handbook requires that the Company has appropriate controls, safeguards and procedures for protecting the integrity of computer information.

Contingency Planning

A review of the Company's contingency planning indicated that the Company does not:

- keep copies of its contingency plan in relevant off site locations;
- have a restoration priority assigned to all significant business activities;
- maintain a list of critical computer application programs;
- have a written agreement or existing contract for the use of a specific alternate site to restore data processing operations after a disaster occurs;
- have a list of supplies needed in the event of a disaster;
- have adequate manual processing procedures for use until the electronic data processing function can be restored;
- test its contingency plan;
- describe management's involvement as to assignments, roles and responsibilities associated with the declaration of an emergency and the implementation of the Business Continuity and Disaster Recover Plan.

COMPANY OPERATIONS/MANAGEMENT Standard 2, of the NAIC's Market Conduct Examiners Handbook requires that the Company have appropriate controls, safeguards and procedures for protecting the integrity of computer information.

Antifraud plan

The Company has not developed an antifraud plan. COMPANY OPERATIONS/MANAGEMENT Standard 3, of the NAIC's Market Conduct Examiners Handbook requires the Company to have an antifraud initiative in place that is reasonably calculated in order to detect, prosecute and prevent fraudulent insurance acts.

FINANCIAL STATEMENT INDEX

The Financial Statements included in this report were prepared on the basis of the Company's records, and the valuations and determinations made during the course of the examination for the year 2003. Amounts shown in the comparative statements for the years 1999, 2000, 2001, and 2002, were compiled from Company copies of filed Annual Statements. The statements are presented in the following order:

	<u>Page</u>
Statement of Assets, Liabilities, Surplus and Other Funds	25
Summary of Operations	27
Capital and Surplus Account	28

**THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART
THEREOF.**

LIFE INSURANCE COMPANY OF ALABAMA
STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
For the Year Ended December 31, 2003

		<u>Nonadmitted</u>	<u>Net Admitted</u>	<u>Prior Year Net</u>
	<u>Assets</u>	<u>Assets</u>	<u>Assets</u>	<u>Admitted</u>
	<u>Assets</u>	<u>Assets</u>	<u>Assets</u>	<u>Assets</u>
Bonds	\$ 49,005,370	\$ -	\$ 49,005,370	\$ 45,297,224
Stocks:				
Preferred Stocks	430,275	-	430,275	239,600
Common Stocks	3,006,107	-	3,006,107	2,352,045
Mortgage loans on real estate:				
First liens	82,030	-	82,030	119,187
Real estate:				
Properties occupied by the company (Note 1)	748,963	153,486	595,477	753,323
Properties held for the production of income	196,408	-	196,408	203,734
Cash, cash equivalents and short-term investments	561,937	-	561,937	477,182
Contract loans	2,699,598	-	2,699,598	2,765,886
Receivable for securities	519,643	-	519,643	-
Subtotal, cash and invested assets	\$ 57,250,331	\$ 153,486	\$ 57,096,845	\$ 52,208,181
Investment income due and accrued	728,511	-	728,511	735,275
Uncollected premiums and agents' balances in course of collection	1,964,511	-	1,964,511	2,242,363
Amounts recoverable from reinsurers	17,500	-	17,500	94,333
Current federal and foreign income tax recoverable and interest thereon	1,415	-	1,415	-
Net deferred tax asset	1,583,970	1,440,863	143,107	168,834
Electronic data processing equipment and software	97,445	-	97,445	136,953
Furniture and equipment, including health care delivery assets	64,953	64,953	-	-
Other assets nonadmitted	8,473	8,473	-	-
Cash surrender value life insurance	520,849	-	520,849	513,065
Agents' credit balances	30,254	30,254	-	-
Agents' balances	912,964	653,068	259,896	-
TOTALS	\$ 63,181,176	\$ 2,351,097	\$ 60,830,079	\$ 56,099,004

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART
THEREOF.

LIFE INSURANCE COMPANY OF ALABAMA
STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS (continued)
For the Year Ended December 31, 2003

	<u>Current Year</u>	<u>Prior Year</u>
<u>LIABILITIES</u>		
Aggregate reserve for life contracts	\$ 28,700,690	\$ 28,222,531
Aggregate reserve for accident and health contracts	13,681,268	16,102,082
Liability for deposit-type contracts	1,750,109	1,712,959
Contract claims:		
Life (Note 2)	181,746	132,382
Accident and health (Note 3)	4,593,120	618,973
Provision for policyholder dividends and coupons payable in the following calendar year - estimated amounts: (Note 4)		
Dividends apportioned for payment to 12/31/2004	27,759	23,484
Coupons and similar benefits	16,440	17,315
Premium and annuity considerations for life and accident and health contracts received in advance	365,036	339,058
Interest Maintenance Reserve	39,557	19,137
Commissions to agents due or accrued - life and annuity contracts (Note 5)	66,164	63,749
General expenses due or accrued (Note 6)	326,698	313,523
Taxes, licenses and fees due or accrued, excluding federal income taxes	118,748	120,633
Current federal and foreign income taxes	-	166,718
Unearned investment income	80,334	81,212
Amounts withheld or retained by company as agent or trustee	38,157	36,643
Amounts held for agents' account, including \$30,254 agents credit balances (Note 7)	30,254	24,481
Remittances and items not allocated (Note 8)	428,264	80,718
Payable for securities (Note 8)	1,000,000	
Asset valuation reserve (Note 9)	737,856	419,836
Rounding	1	4
TOTAL LIABILITIES	\$ 52,182,201	\$ 48,495,438
 <u>CAPITAL AND SURPLUS</u>		
Common capital stock	\$ 1,500,000	\$ 1,500,000
Gross paid in and contributed surplus	1,773,659	1,773,659
Unassigned funds (surplus) (Note 10)	6,101,560	5,057,250
Less treasury stock at cost: common	727,342	727,342
TOTAL CAPITAL AND SURPLUS	\$ 8,647,877	\$ 7,603,567
TOTAL LIABILITIES, CAPITAL AND SURPLUS	\$ 60,830,078	\$ 56,099,005

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART
THEREOF.

LIFE INSURANCE COMPANY OF ALABAMA
SUMMARY OF OPERATIONS
For the Years Ended December 31, 2003, 2002, 2001, and 2000

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Premiums and annuity considerations for life and accident and health contracts	\$ 31,294,522	\$ 29,492,472	\$ 28,056,317	\$ 27,225,543
Considerations for supplementary contracts with life contingencies		53,851		
Net investment income	3,159,460	3,131,287	3,181,445	3,986,202
Amortization of Interest Maintenance Reserve	20,722	5,956	924	15,164
Commissions and expense allowances on reinsurance ceded	-	-	1,000,000	-
Aggregate write-ins for miscellaneous income	85,956	99,594	113,411	106,747
TOTALS	\$ 34,560,660	\$ 32,783,160	\$ 32,352,098	\$ 31,333,656
Death benefits	2,064,714	1,797,608	1,513,341	2,631,317
Matured endowments	-	-	2,050	2,007
Annuity benefits	236,349	316,487	224,858	403,748
Disability benefits and benefits under accident and health contracts	18,251,965	14,587,771	13,242,220	15,302,696
Coupons, guaranteed annual pure endowments and similar benefits	16,262	19,275	17,501	19,424
Surrender benefits and withdrawals for life contracts	675,870	755,196	575,942	1,610,873
Interest and adjustments on contract or deposit-type contract funds	2,864	2,465	4,131	7,846
Payment on supplementary contracts with life contingencies	568	568	41,209	4,233
Increase in aggregate reserves for life and accident and health contracts	(1,942,655)	860,114	1,663,713	(12,720,119)
TOTALS	\$ 19,305,937	\$ 18,339,484	\$ 17,284,965	\$ 7,262,025
Commissions on premiums, annuity considerations and deposit-type contract funds	7,231,100	7,019,411	7,190,057	6,595,532
General insurance expenses	5,576,143	5,368,538	5,190,904	4,761,581
Insurance taxes, licenses and fees, excluding federal income taxes	898,655	868,946	835,410	812,119
Increase in loading on deferred and uncollected premiums	6,079	18,248	19,334	17,909
Aggregate write-ins for deductions	124,166	141,963	98,512	14,128,724
TOTALS	\$ 33,142,080	\$ 31,756,590	\$ 30,619,182	\$ 33,577,890

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART
THEREOF.

LIFE INSURANCE COMPANY OF ALABAMA
SUMMARY OF OPERATIONS (continued)
For the Years Ended December 31, 2003, 2002, 2001, and 2000

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Net gain from operations before dividends to policyholders and federal income taxes	\$ 1,418,580	\$ 1,026,570	\$ 1,732,916	\$ (2,244,234)
Dividends to policyholders	<u>27,517</u>	<u>25,324</u>	<u>29,255</u>	<u>20,600</u>
Net gain from operations after dividends to policyholders and before federal income taxes	\$ 1,391,063	\$ 1,001,246	\$ 1,703,661	\$ (2,264,834)
Federal and foreign income taxes incurred	<u>154,045</u>	<u>57,423</u>	<u>(29,897)</u>	<u>(159,208)</u>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	\$ 1,237,018	\$ 943,823	\$ 1,733,558	\$ (2,105,626)
Net realized capital gains or (losses) less capital gains taxes	<u>(2,030)</u>	<u>832</u>	<u>500</u>	<u>(2,695)</u>
Net Income	\$ 1,234,988	\$ 944,655	\$ 1,734,058	\$ (2,108,321)
CAPITAL AND SURPLUS ACCOUNT	2003	2002	2001	2000
Capital and surplus, December 31, prior year	\$ 7,603,567	\$ 6,587,208	\$ 6,397,568	\$ 8,138,912
Net Income	\$ 1,234,988	\$ 944,655	\$ 1,734,058	\$ (2,108,321)
Change in net unrealized capital gains or (losses)	389,065	(171,338)	(123,615)	(6,437)
Change in net deferred income tax	(25,727)	(959)	(29,202)	
Change in nonadmitted assets and related items	(164,228)	336,535	138,988	(337,185)
Change in asset valuation reserve	(318,020)	(31,018)	(10,408)	(197,133)
Cumulative effect of changes in accounting principles			(7,080)	
Dividends to stockholders	(71,769)	(61,516)	(51,263)	(92,274)
Aggregate write-ins for gains and losses in surplus	<u>1</u>	<u>-</u>	<u>(1,461,838)</u>	<u>1,000,006</u>
Net change in capital and surplus for the year	\$ 1,044,310	\$ 1,016,359	\$ 189,640	\$ (1,741,344)
Capital and surplus, December 31, current year	<u>\$ 8,647,877</u>	<u>\$ 7,603,567</u>	<u>\$ 6,587,208</u>	<u>\$ 6,397,568</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART
THEREOF.

NOTES TO FINANCIAL STATEMENTS

<u>Note 1 – Real estate: Properties occupied by the company</u>	<u>\$595,477</u>
<u>Properties held for the production of income</u>	<u>196,408</u>
<u>Total Real estate</u>	<u>\$791,885</u>

The captioned total is \$153,486 less than the \$945,371 total reported by the Company in its 2003 Annual Statement. The following schedule details the amounts not admitted as a result of this examination, and each item is discussed below.

<u>Description</u>	<u>Per 2003 A/S</u>	<u>Per Examination</u>	<u>Difference</u>
Properties occupied by the Company:			
(A) Six properties acquired prior to 1972	\$ 471,583	\$ 471,583	\$ -
(B) Four properties acquired subsequent to 1972	277,380	123,894	(153,486)
Total properties occupied by the Company	\$ 748,963	\$ 595,477	\$ (153,486)
Properties held for the production of income:			
(C) One property acquired prior to 1978	\$ 76,300	\$ 76,300	\$ -
(D) One property acquired subsequent to 1978	120,108	120,108	-
Total properties held for the production of income	\$ 196,408	\$ 196,408	\$ -
TOTALS	\$ 945,371	\$ 791,885	\$ (153,486)

In order to determine that properties were valued accurately, real estate appraisals for *Properties occupied by the company* and *Properties held for the production of income* were reviewed.

Properties occupied by the company

At December 31, 2003, the Company valued its home office properties at \$748,963. The prior examination determined that the home office properties acquired prior to 1972, were considered "grandfathered" at market value, in accordance with ALDOI *Regulation No. 18*. It should be noted that this regulation was repealed in April 2001.

The review of home office properties indicated that six were acquired prior to 1978 [item (A)]. The Company reported these properties at market value based on appraisals that were between 24 and 31 years old; there were no current appraisals.

Appraisals for the remaining four home office properties, which were acquired subsequent to 1978 [item (B)], were obtained between 1979 and 1997, and were, therefore, not current, as well.

The Company carried one home office property at its 1997 appraised value of \$105,000; because the depreciated cost on this property was \$128,152. Since the property was purchased subsequent to 1978, and did not have a recent appraisal, the examiners could not determine if this property warranted "impairment loss" treatment in accordance with paragraph 9, of SSAP No. 40, of the NAIC's Accounting Practices and Procedures Manual. Consequently, the \$105,000 reported value of this property has been nonadmitted in this report.

Another property acquired in 1979, was admitted by the Company at its \$64,270 appraised value when it should have been reported at the \$15,784 depreciated cost, a difference of \$48,486. A total of \$153,486 (\$150,000 + \$48,486) has been not admitted for the purposes of this examination.

ALA. CODE § 27-37-7(b) (1975), states that:

"Other real property held by an insurer shall not be valued at an amount in excess of fair value as determined by recent appraisal."

SSAP No. 40, paragraph 12, of the NAIC's Accounting Practices and Procedures Manual requires that:

"For all properties held for the production of income, the reporting entity must maintain an appraisal that is no more than five years old as of the reporting date."

ALA. CODE § 27-41-34(f) (1975) states that:

"Real estate permitted to be carried as an admitted asset of the insurer under this section shall be so carried at an amount equal to its cost at the time of acquisition together with the actual cost of improvements made thereon, less encumbrances and less depreciation where applicable."

The NAIC's Annual Statement Instructions stipulates that the admitted value "for properties occupied by the company (home office real estate) must not exceed actual cost, plus capitalized improvements, less normal depreciation. This formula shall apply whether the company holds the property directly or indirectly." In addition, paragraph 9, of SSAP No. 40, of the NAIC's Accounting Practices and Procedures Manual, states that:

"Properties...shall be carried at depreciated cost less encumbrances unless events or circumstances indicate the carrying amount of the asset...may not be recoverable."

Utilizing the above guidelines, none of the Company's real estate properties evidenced current appraisals, without which the fair value of the properties could not be determined. In view of that, impairment loss, measured as the amount by which the individual carrying amounts exceed the fair value of the properties, could also not be determined.

It was noted that column 5 (Date of Last Appraisal) of the Company's 2003 *Schedule A – Part 1*, did not report the correct appraisal dates for certain of its properties. When this matter was brought to the Company's attention, management indicated that the date of the most recent appraisal would be reported in future filings with the ALDOI.

It was also noted that the Company carried its real estate as gross and net admitted amounts of \$748,963 on line 4.1, and \$196,408 on line 4.2 in the 2003 Annual Statement, which did not reconcile to column 8 (Book/Adjusted Carrying Value Less Encumbrances) on *Schedule A – Part 1*.

Note 2 – Contract claims: Life

\$181,746

The captioned amount is the same as reported by the Company in its 2003 Annual Statement. It was noted that the Company set up a liability for the referenced amount at year-end 2003, and paid \$286,365 in 2004, for claims incurred in prior years. Consequently, the Company under-reported the life contract claim liability by \$104,619. That difference was not considered material for the purposes of this examination, and no changes were made to the financial statements in this report.

Note 3 – Contract claims: Accident and health

\$4,593,120

The captioned amount is the same as reported by the Company in its 2003 Annual Statement.

During the review of this liability, it was noted that the Company does not categorize its accident and health contract claims in accordance with the NAIC's Annual Statement Instructions. The Company calculates the claim reserves and claim liabilities in the aggregate based upon lag triangles. There is, however, a separate detail for reported but unpaid claims. Therefore, the Company did not establish separate due and unpaid, in course of settlement, incurred but not yet reported or present value of amounts not yet due liability. The Company recorded the total liability in *Exhibit 8 - Claim for Life and Accident and Health Contracts* on line 2.2 - Other. The Company should have separated

the claims amounts amongst line 1 – *Due and unpaid*, line 2 – *In course of settlement*, line 2.1 – *Resisted*, and line 3 – *Incurred but unreported*.

Note 4 – Policyholders' dividends and coupons due and unpaid **\$27,759**

The captioned amount is the same as reported on page 3, line 6.1 of the 2003 Annual Statement but \$5,000 greater than the detail provided by the Company. Therefore, the Company overstated the liability by that amount.

Note 5 – Commissions to agents due and accrued –
life and annuity contracts **\$66,164**

The captioned amount is the same as reported in the Company's 2003 Annual Statement.

It was noted that the Company calculates its commissions due to agents in the aggregate and not on a policy-detail basis. This amount should be calculated on the policy detail basis so the amount will be adequate and not an approximation. Also, this amount was calculated based on a collectibility ratio study, which was not provided to the examiners.

Note 6 - General expenses due or accrued **\$326,698**

The captioned amount is the same as reported by the Company in its 2003 Annual Statement.

ALA. CODE § 27-27-30(a) (1975) states, in part, that insurers should not make disbursements of \$25 or more unless it is evidenced by a receipt. The Company uses disbursement orders to reimburse employees in instances where there is no invoice or receipt. All 2003 expense checks to family members were reviewed along with supporting documentation. There were transactions totaling \$1,150, for which no receipt was provided.

The Company's CPAs also noted a problem with inadequate supporting documentation of expenses, particularly credit card expenses. The supporting documentation was reviewed for all of the Company's December 2003 credit card statements. These statements contained transactions totaling \$2,488, for which receipts were not provided.

Note 7 – Amounts held for agents' account

\$30,254

The captioned amount is the same as reported by the Company in its 2004 Annual Statement.

The Company recorded commissions in its *Amounts held for agents' account*, which is not in compliance with the NAIC's Annual Statement Instructions. The instructions state to include "agents' credit balances as well as any other amounts due or contingently due to agents but not commissions..." The commissions should have been reported on the balance sheet under *Commissions to agents due or accrued*. The amount of the commissions was not material for the purposes of this examination, and no changes were made to the financial statements in this report.

Note 8 – Remittances and items not allocated

\$ 428,264

Payable for securities

\$1,000,000

The captioned amount for the *Remittances and items not allocated* line item is \$1,000,000 less than the \$1,428,264 reported in the Company's 2003 Annual Statement. The captioned amount for the *Payable for securities* line item is \$1,000,000 more than the \$0 amount reported in the Company's 2003 Annual Statement.

The Company reported a \$1,000,000 liability as *Remittances and items not allocated* for a security that was purchased in December 2003, but was not settled until January 2004. Per the NAIC's Annual Statement Instructions, the Company should have reported the \$1,000,000 amount as *Payable for securities* as the line item should include amounts that are due when a security has been purchased but has not yet been paid at year-end.

Because the above items were classification issues, inclusion in the proper balance sheet lines did not cause changes in the totals of the financial statements of this report.

Note 9 – Asset valuation reserve

\$737,856

The captioned liability is the same as reported by the Company in its 2003 Annual Statement but \$210,427 less than the \$948,283 amount determined by this examination.

The previous examination noted that the Company did not utilize the correct maximum asset valuation reserve (AVR) factor of 30% in accordance with the NAIC's Annual Statement Instructions when calculating the reserve for unaffiliated companies' common stock. AVRs for the four-year examination period were reviewed, and it was determined that the Company increased its AVR reserve factor to the maximum of

30% for the years 2000 – 2002. The Company did not use the 20% maximum AVR reserve factor for 2003; consequently, the Company did not comply with the previous recommendation in its entirety.

If the Company had used the maximum AVR reserve factor of 20% for 2003, the liability, as reported on page 3, line 24.1 of the 2003 Annual Statement, would have increased from \$737,856 to \$948,283, an immaterial difference of \$210,427; therefore, no changes were made to the financial statements for the purposes of this report.

During the course of this examination, the examiners confirmed that the Company utilized the correct maximum AVR reserve factor of 20% for 2004, in accordance with the NAIC's Annual Statement Instructions.

The CPAs noted that there were changes made to the carrying value of the NRG Energy bond (decrease of \$5,029) and to the classification of the Electronic Data Systems bond (decrease of \$307) that required correcting adjustments to the AVR. The CPAs proposed an adjusting entry of \$5,336, which would have reduced the \$737,856 amount reported by the Company to \$732,520; the difference was not material.

Note 10 – Unassigned funds (surplus)

\$6,101,560

Unassigned funds (surplus), as determined by this examination, was \$153,486 less than the \$6,255,046 amount reported by the Company in its 2003 Annual Statement.

The following schedule presents a reconciliation of the unassigned funds per the Company's filed statement to that developed by this examination:

Unassigned funds (surplus) per Company \$ 6,255,046

Examination increase/(decrease) to assets:

Note 1 - Real estate \$ (153,486)

Total increase/(decrease) to assets \$ (153,486)

Examination (increase)/decrease to liabilities:

Note 8 - Remittances and items not allocated 1,000,000

Note 8 - Payable for securities (1,000,000)

Total (increase)/decrease to liabilities: \$ -

Net Increase/(Decrease) \$ (153,486)

Unassigned funds (surplus) per Examination \$ 6,101,560

CONTINGENT LIABILITIES AND PENDING LITIGATION

The review of contingent liabilities and pending litigation included an inspection of representations made by Company management; a review of a report to the examiners on pending litigation made by the Company's attorneys; and a general review of the Company's records and files conducted during the examination, including a review of claims. This review did not disclose any items that would have a material effect on the Company's financial condition in the event of an adverse outcome.

However, the Company has three policy related lawsuits and one non-claims related lawsuits as of December 31, 2003. The Company did not accrue for legal expenses and the estimated settlement amount.

SSAP No. 5, paragraph 7, of the NAIC's Accounting Practices and Procedures Manual states:

"An estimated loss from a loss contingency or the impairment of an asset shall be recorded by a charge to operations if both of the following conditions are met:

7 a. Information available prior to issuance of the statutory financial statements indicates that it is probable that an asset has been impaired or a liability has been

incurred at the date of the statutory financial statements. It is implicit in this condition that it is probable that one or more future events will occur confirming the fact of the loss or incurrence of a liability; and

7 b. The amount of loss can be reasonably estimated.”

In addition, the NAIC's Accounting Practices and Procedures Manual, SSAP No. 5, paragraph 4, states “Estimates are required in financial statements for many ongoing and recurring activities of a report entity.”

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

Advertising – The preceding report of examination recommended that the Company's advertising “be sufficiently accurate, complete, and clear so as to avoid deception or the capacity or tendency to mislead or deceive” in compliance with ALDOI *Regulation No. 69, V(1)(a)*” and that the Company not maintain or distribute advertisements which contain statements which are “false, misleading, or irrelevant in fact or by implication, with respect to the assets, liabilities, insurance in force, corporate structure, financial condition, age or relative position of the insurer in the business” in compliance with ALDOI *Regulation No. 69, Section V(6)(a)*. The Company did not comply with these recommendations.

Asset valuation reserve – The examiner reviewed the AVR reserve factors for the four-year examination period and determined that the Company increased its AVR reserve factor to the maximum for the years 2000 - 2002. The Company did not use the 20% maximum AVR reserve factor for 2003; consequently, the Company did not comply with the previous recommendation in its entirety. A more detailed discussion on this matter may be found on page 34 under the *Note 10 – Asset valuation reserve* caption in the NOTES TO FINANCIAL STATEMENTS section of this report.

COMMENTS AND RECOMMENDATIONS

The following summary presents the comments and recommendations that are made in the current *Report of Examination*.

Conflict of Interest – Page 8

It is recommended that the Company have all officers and directors sign a conflict of interest statement each year.

It is recommended that the Company require its key employees to sign a conflict of interest statement each year.

Transactions and Agreements with Affiliates – Page 10

It is recommended that the LICOA Brokerage Services, Inc. comply with ALA. CODE § 10-2B-7.01(a) (1975), which states, “A corporation shall hold a meeting of shareholders annually at a time stated or fixed in accordance with the bylaws.”

It is also recommended that the LICOA Brokerage Services, Inc. comply with its bylaws which state that an annual meeting of the Shareholders and Board of Directors shall be held on the first day of May each year.

It is recommended that LICOA Brokerage Services, Inc. have controls in place. There should be separation of duties between the person authorizing payments, the person making payments, and the person keeping the Company’s books.

It is recommended that an agreement be maintained between the Company and LICOA Brokerage regarding the “sharing” of agents in order to comply with ALA. CODE § 27-29-5(a)(4) (1975), which states, “The books, accounts, and records of each party will be so maintained as to clearly and accurately disclose the precise nature and details of the transactions”.

It is recommended that bonus payments not be made without supporting agreements in order to comply with ALA. CODE § 27-29-5(a)(4) (1975), which states, “The books, accounts, and records of each party will be so maintained as to clearly and accurately disclose the precise nature and details of the transactions.”

Compliance with ALA. ADMIN. CODE 482-1-121 (2003) - Page 12

It is recommended that the Company require all current employees and agents to sign an affidavit concerning the Violent Crime and Law Enforcement Act of 1994 on an annual basis in order to ensure compliance with US Code, Title 18, Section 1033 (e)(1)(A) and ALA. ADMIN. CODE 482-1-121 (2003).

Other Compensation Issues – Page 12

It is recommended that Ms. Rosalie F. Renfrow maintain working hours comparable to other employees of the Company and report to someone other than her father, Mr. Raymond Renfrow, in order to avoid internal control weaknesses and the appearance of improprieties.

Automobile Expenses – Page 13

It is recommended that the Company provide clear evidence for the business purpose for all travel expenses in accordance with ALA. CODE § 27-27-29(a) (1975) states:

“Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep therein complete records of its assets, transactions and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds of insurance transacted.”

Cell Phone Expenses – Page 14

It is recommended that the Company not pay expenses for individuals not employed by the Company unless a clear business benefit to the Company can be demonstrated.

Directors' Fees – Page 14

It was noted that employees of the Company, who are also Directors, are receiving Directors' fees in addition to their compensation as employees of the Company. This is a highly unusual practice and it gives the appearance of impropriety since only family members are receiving these fees in addition to their salaries.

Travel Expenses – Page 14

It is recommended that the Company establish and adhere to a formal travel policy to avoid the appearance of impropriety and to assure consistency of benefits for all officers and employees of the Company.

Advertising – Page 17

It is again recommended that the Company's advertising “be sufficiently accurate, complete, and clear so as to avoid deception or the capacity or tendency to mislead or deceive” in compliance with Section V(1)(a) of Alabama Department of Insurance *Regulation No. 69*.

It is again recommended that the Company not maintain or distribute advertisements which contain statement which are “false, misleading, or irrelevant in fact or by implication, with respect to the assets, liabilities, insurance in force, corporate structure, financial condition, age or relative position of the insurer in the business” in compliance with Alabama Department of Insurance *Regulation No. 69*, Section V(6)(a).

These recommendations were also made in the previous examination report.

Compliance with Agents' Licensing Requirements – Page 17

It is recommended that the Company maintain copies of its terminated producers' files at its home office in accordance with ALA. CODE § 27-27-29(a) (1975), which states:

“Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep therein complete records of its assets, transactions and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds of insurance transacted.”

Reinsurance Assumed – Page 21

It is recommended that the Company maintain a signed and dated copy of all of its reinsurance agreements in accordance with ALA. CODE § 27-27-29(a) (1975), which states, in part, that every insurer shall maintain complete records in its principal place of business.

Reinsurance Ceded – Page 21

It is recommended that the Company prepare a comparison each year of the renewal ceding commission on the Employers Reinsurance Corporation contract to the actual expenses of the Company. If the comparison shows that the full difference between the 30% ceding allowance and the 23% ceding allowance has become effective because of the morbidity experience and the Company's inability to obtain appropriate rate increases so as to maintain a loss ratio of 70% or less, the opening actuaries should document the transfer of morbidity risk for the contract and discontinue taking a reserve credit in the event the transfer of morbidity risk cannot be demonstrated.

Logical and Physical Security – Page 22

It is recommended that the Company:

- not grant unauthorized access to the Company's users' passwords;
- have a written statement that is issued to its employees, which restricts access to the Computer facility;
- periodically validate the access capabilities provided to individuals in each department;
- have a control in place that ensures effectiveness of financial significant application passwords; and
- allow each user to generate his/her own password rather than it being assigned by the Company.

COMPANY OPERATIONS/MANAGEMENT Standard 2, of the NAIC's Market Conduct Examiners Handbook requires that the Company has appropriate controls, safeguards and procedures for protecting the integrity of computer information.

Contingency Planning – Page 23

It is recommended that:

- the Company test its business contingency plan in all significant business areas and document the results;
- the Company keep copies of the Contingency Plan in relevant off-site locations;
- the Company have a restoration priority assigned to all significant business activities;
- the Company have a list of critical computer application programs, operating systems and data files;
- the Company have a written agreement or contract for the use of an alternate site in order to restore data processing operations after a disaster occurs;
- the Company have a list of supplies that would be needed in the event of a disaster, together with names and phone numbers of the suppliers;
- each user department develop adequate manual processing procedures for use until the electronic data processing function can be restored;
- the Company test its business contingency plan;
- the Company's contingency plan describe management's involvement as to assignments, roles and responsibilities associated with the declaration of an emergency and the implementation of a Business Continuity and Disaster Recovery Plan.

COMPANY OPERATIONS/MANAGEMENT Standard 2, of the NAIC's Market Conduct Examiners Handbook requires that the Company has appropriate controls, safeguards and procedures for protecting the integrity of computer information.

Antifraud plan – Page 23

It is recommended that the Company develop an antifraud plan. COMPANY OPERATIONS/MANAGEMENT Standard 3, of the NAIC's Market Conduct Examiners Handbook requires that the Company has antifraud initiatives in place that are reasonably calculated to detect, prosecute, and prevent fraudulent insurance acts.

Real estate – Page 29

It is recommended that the Company obtain appraisals for certain real estate properties in accordance with ALA. CODE § 27-37-7(b) (1975), and *SSAP No. 40*, of the NAIC's Accounting Practices and Procedures Manual. If the Company elects not to obtain current appraisals, real estate properties should be not admitted from the balance sheet in future filings with the ALDOI in accordance with the relevant sections of the aforementioned regulatory authorities.

It is recommended that the Company adjust the carrying value of its properties acquires after 1978, to depreciated cost in accordance with *SSAP No. 40*, of the NAIC's Accounting Practices and Procedures Manual and Annual Statement Instructions, which require that real estate be valued at cost, plus capitalized improvements, less normal depreciation, unless the current appraised value is less than the depreciated cost.

It is recommended that the Company complete *Schedule A* of its Annual Statement in accordance with the NAIC's Annual Statement Instructions.

It is also recommended that the Company insure that column 8 of *Schedule A - Part 1*, reconciles to page 2, of the Annual Statement in accordance with NAIC instructions thereto.

Contract claims: Life - Page 31

It is recommended that the Company set up an adequate liability to cover its life contract claims.

Contract claims: Accident and health – Page 31

It is recommended that the Company comply with the NAIC's Annual Statement Instructions and report due and unpaid claims on line 1, claims in course of settlement on line 2, resisted claims on line 2.1, and claims incurred but unreported on line 3 of *Exhibit 8 - Claims for Life and Accident and Health Contracts*.

Policyholders' dividends and coupons due and unpaid – Page 32

It is recommended that the Company report correct amounts for its *Policyholders' dividends and coupons due and unpaid*.

Commissions to agents due and accrued – life and annuity contracts – Page 32

It is recommended that the Company calculate the commissions on a policy-detail basis rather than in the aggregate.

It is recommended that the Company provide a collectibility study to support its 66% collectibility ratio.

General expenses due or accrued – Page 32

It is recommended that the Company require receipts for all disbursements of \$25 or more in accordance with ALA. CODE § 27-27-30(a) (1975).

It is also recommended that the Company maintain proper documentation and receipts for credit card expenses that tie back to the credit card statements in accordance with ALA. CODE § 27-27-29(a) (1975).

Amounts held for agents' account - Page 33

It is recommended that the Company comply with the NAIC's Annual Statement Instructions by not including commissions in the *Amounts held for agents' account* line item.

Remittances and items not allocated/Payable for securities – Page 33

It is recommended that the Company report its securities that have been purchased but have not yet been paid at year-end in the *Payable for securities* line item and not in *Remittances and items not allocated*, in accordance with the NAIC's Annual Statement Instructions.

Asset valuation reserve – Page 33

It is recommended that the Company utilize the correct maximum reserve factor in the calculation of reserves for unaffiliated companies' common stock in accordance with the NAIC's Annual Statement Instructions. This recommendation was also made in the previous examination report.

Contingent Liabilities and Pending Litigation – Page 35

It is recommended that the Company set up a liability for the legal expenses and anticipated settlement amounts for its outstanding litigation in accordance with *SSAP No. 5*, paragraph 9, of the NAIC's Accounting Practices and Procedures Manual.

SUBSEQUENT EVENTS

AVESIS Vision Care

Subsequent to the examination, the Company began offering a Vision Care program to its customers through Avesis, Inc. The plan was introduced in February 2004. Clients are offered this product through Avesis, Inc., and LICOA Brokerage Services, Inc., the Company's wholly owned subsidiary.

Retirement of the Chairman of the Board

At the April 25, 2005 Board of Directors meeting, Ms. Florence T. Daugette, Chairman of the Board, expressed her desire to retire. The Board accepted her resignation and elected Clarence W. Daugette, the Company's President, as its new Chairman of the Board.

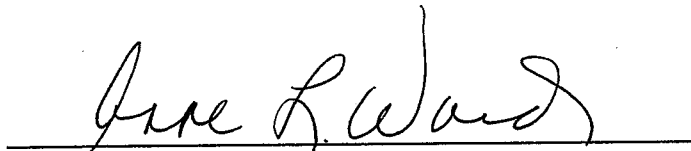
CONCLUSION

Acknowledgement is hereby made of the courteous cooperation extended by all persons representing the Company during the course of the examination.

The customary insurance examination procedures, as recommended by the National Association of Insurance Commissioners, have been followed to the extent appropriate in connection with the verification and evaluation of assets and the determination of liabilities.

In addition to the undersigned, Theo Goodin, Alfonzo Nunn, Anne Pruett, and Lori Wright, Examiners; and Harland A. Dyer, ASA, MAAA, FCA, Consulting Actuarial Examiner; all representing the Alabama Department of Insurance, participated in this examination of Life Insurance Company of Alabama.

Respectfully submitted,


Anne L. Ward, AFE
Examiner-in-Charge
State of Alabama
Department of Insurance

May 13, 2005

**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND PROCEDURES
USED IN AN EXAMINATION**

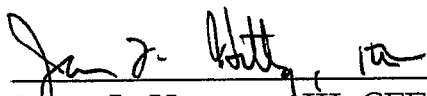
STATE OF ALABAMA

COUNTY OF ETOWAH

James L. Hattaway, III, being duly sworn, states, as follows:

1. I have authority to represent the State of Alabama in the examination of Life Insurance Company of Alabama, Gadsden, Alabama.
2. The Alabama Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.
3. I have reviewed the examination workpapers and examination report, and the December 31, 2003 examination of Life Insurance Company of Alabama, Gadsden, Alabama, was performed in a manner consistent with the standards and procedures required by the Alabama Department of Insurance, and the National Association of Insurance Commissioners.

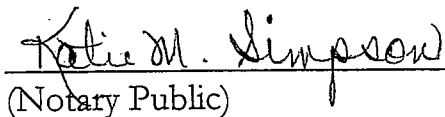
The affiant says nothing further.



James L. Hattaway, III, CFE
Insurance Examination Supervisor
State of Alabama, Department of Insurance

Subscribed and sworn before me by James L. Hattaway, III,
on this 13th day of May, 2005.

(SEAL)


(Notary Public)

My Commission expires 9-30-07
(Date)